

**County of Emmet, Michigan**

**FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Emmet County</b>	County <b>Emmet</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>5/6/05</b>	Date Accountant Report Submitted to State: <b>7/12/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

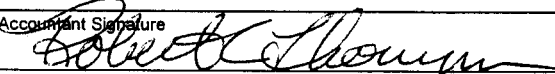
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).	✓		

Certified Public Accountant (Firm Name) <b>Dennis, Gartland &amp; Niergarth, P.C.</b>			
Street Address <b>415 Munson Avenue</b>		City <b>Traverse City</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49686</b>	Date <b>7/12/05</b>

# CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS .....	4
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	6
FINANCIAL STATEMENTS	
GOVERNMENTAL FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUNDS .....	7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS .....	8
PROPRIETARY FUND FINANCIAL STATEMENTS	
BALANCE SHEET - PROPRIETARY FUNDS .....	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS .....	10
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS .....	11
FIDUCIARY FUND FINANCIAL STATEMENTS	
STATEMENT OF FIDUCIARY NET ASSETS .....	12
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS .....	13
COMPONENT UNIT	
STATEMENT OF NET ASSETS - EMMET COUNTY ROAD COMMISSION .....	14
STATEMENT OF ACTIVITIES - EMMET COUNTY ROAD COMMISSION .....	15
NOTES TO FINANCIAL STATEMENTS.....	16
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND .....	41
COUNTY OF EMMET RETIREMENT PLAN AND TRUST	
SCHEDULE OF FUNDING PROGRESS .....	42
SCHEDULE OF EMPLOYER CONTRIBUTIONS .....	43

## CONTENTS

### COMBINING FINANCIAL STATEMENTS

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS .....	45
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS .....	47
COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS .....	49
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS .....	50
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS .....	51
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS .....	52
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS .....	53
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS .....	54

### PASSENGER FACILITY CHARGE PROGRAM

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE.....	56
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS.....	58
NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS.....	59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS OF PASSENGER FACILITY CHARGE FUNDS.....	61



DENNIS, GARTLAND & NIERGARTH P.C.

Business and Financial Advisors  
*Our clients' success - our business*

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners  
County of Emmet, Michigan

We have audited each major fund, the aggregate remaining fund and component unit information of the **County of Emmet, Michigan** (the "County") as of and for the year ended December 31, 2004, which collectively compose the County's financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Emmet County Road Commission, which represents 100% of the discretely presented component unit information. We also did not audit the financial statements of the Emmet County Medical Care Facility, which is a major proprietary fund. Those financial statements were audited by other auditors whose reports have been furnished to us and our report, insofar as it relates to the amounts included for the Emmet County Road Commission and the Emmet County Medical Care Facility, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Michigan Department of Treasury guidelines, the County's management has elected to omit entity-wide financial statements and certain information related to infrastructure required by the Governmental Accounting Standards Board ("GASB"). Consequently, the financial statements provide an incomplete presentation of the County's financial position and changes in financial position.

In our opinion, based on our audit and the reports of other auditors, except for the omission described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the aggregate remaining fund and component unit information of the County of Emmet, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The County has not presented a management discussion and analysis that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison and retirement plan and trust information on pages 41 and 42 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining financial statements listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Michigan Department of Treasury. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion and based on the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Dennis, Gartland & Niergarth, P.C.*

May 6, 2005, except for component unit  
information related to the Emmet  
County Road Commission for which the  
date is April 21, 2005 and the Emmet  
County Medical Care Facility for which  
the date is May 6, 2005.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
County of Emmet, Michigan

We have audited the financial statements of the *County of Emmet, Michigan* (the "County") as of and for the year ended December 31, 2004 and have issued our report thereon dated May 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis, Gartland & Niergarth, P.C.*

May 6, 2005  
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# County of Emmet

## BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2004

	General Fund	Revenue Sharing Fund	Building Authority Renovation Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and equivalents	\$ 2,238,085	\$ -	\$ 6,581,846	\$ 11,018	\$ 5,654,872	\$ 14,485,821
Accounts and advances receivable	217,539	-	-	440	17,088	235,067
Property taxes receivable	9,890,936	-	-	-	2,292,021	12,182,957
Due from other funds	1,069,431	3,653,456	-	-	17,075	4,739,962
Due from governmental units	89,598	-	-	-	220,398	309,996
Due from component unit	-	-	-	-	2,278,384	2,278,384
Inventory	61,337	-	-	-	-	61,337
Prepaid expenditures and deferred charges	152,999	-	-	-	-	152,999
Total assets	<u>\$13,719,925</u>	<u>\$3,653,456</u>	<u>\$6,581,846</u>	<u>\$ 11,458</u>	<u>\$ 10,479,838</u>	<u>\$ 34,446,523</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Checks in excess of deposits	\$ 570,690	\$ -	\$ -	\$ -	\$ 60,588	\$ 631,278
Accounts payable	342,682	-	469,552	8,003	402,741	1,222,978
Due to other funds	3,653,456	-	-	-	17,075	3,670,531
Deposits and advances	1,945	-	-	-	-	1,945
Deferred revenue	7,306,911	-	-	-	2,538,737	9,845,648
Accrued wages and related liabilities	453,485	-	-	-	1,753	455,238
Total liabilities	<u>12,329,169</u>	<u>-</u>	<u>469,552</u>	<u>8,003</u>	<u>3,020,894</u>	<u>15,827,618</u>
<b>FUND BALANCES</b>						
Reserved for						
Capital projects	-	-	6,112,294	3,455	2,196,063	8,311,812
Debt service	-	-	-	-	681,519	681,519
Component unit - debt service	-	-	-	-	2,278,384	2,278,384
Revenue sharing	-	3,415,571	-	-	-	3,415,571
Unreserved	<u>1,390,756</u>	<u>237,885</u>	<u>-</u>	<u>-</u>	<u>2,302,978</u>	<u>3,931,619</u>
Total fund balances	<u>1,390,756</u>	<u>3,653,456</u>	<u>6,112,294</u>	<u>3,455</u>	<u>7,458,944</u>	<u>18,618,905</u>
Total liabilities and fund balances	<u>\$13,719,925</u>	<u>\$3,653,456</u>	<u>\$6,581,846</u>	<u>\$ 11,458</u>	<u>\$ 10,479,838</u>	<u>\$ 34,446,523</u>

The accompanying notes are an integral part of these financial statements.



# County of Emmet

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the year ended December 31, 2004

	General Fund	Revenue Sharing Fund	Building Authority Renovation Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 10,268,518	\$ 3,653,456	\$ -	\$ -	\$ 2,036,220	\$ 15,958,194
Licenses and permits	841,724	-	-	-	-	841,724
Federal grants	205,830	-	-	5,322	1,969,835	2,180,987
State grants	1,096,842	-	-	2,670,472	1,204,119	4,971,433
Charges for services	3,602,676	-	-	-	115,558	3,718,234
Fines and forfeits	40,923	-	-	-	-	40,923
Interest and rentals	178,436	-	93,657	-	190,984	463,077
Other revenue	290,081	-	1,296	-	1,303,074	1,594,451
Total revenues	<u>16,525,030</u>	<u>3,653,456</u>	<u>94,953</u>	<u>2,675,794</u>	<u>6,819,790</u>	<u>29,769,023</u>
<b>EXPENDITURES</b>						
Current						
Legislative	169,909	-	-	-	-	169,909
Judicial	1,924,013	-	-	-	437,965	2,361,978
General government	3,370,744	-	-	-	-	3,370,744
Public safety	4,205,738	-	-	-	534,823	4,740,561
Public works - airport	1,892,345	-	-	-	-	1,892,345
Health and welfare	254,521	-	-	-	1,457,516	1,712,037
Parks and recreation	152,639	-	-	-	-	152,639
Contributions to other organizations	1,275,346	-	-	-	1,056,942	2,332,288
Other	477,195	-	-	-	4,966	482,161
Capital outlay	-	-	6,087,461	4,183,726	7,808,697	18,079,884
Debt service	-	-	-	-	2,158,391	2,158,391
Total expenditures	<u>13,722,450</u>	<u>-</u>	<u>6,087,461</u>	<u>4,183,726</u>	<u>13,459,300</u>	<u>37,452,937</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,802,580</u>	<u>3,653,456</u>	<u>(5,992,508)</u>	<u>(1,507,932)</u>	<u>(6,639,510)</u>	<u>(7,683,914)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from debt	-	-	2,500,000	-	-	2,500,000
Capital lease proceeds	-	-	-	-	2,417,155	2,417,155
Operating transfers in	640,617	-	20,000	1,014,498	2,441,998	4,117,113
Operating transfer out	(3,418,294)	-	-	-	(1,036,819)	(4,455,113)
Total other financing sources (uses)	<u>(2,777,677)</u>	<u>-</u>	<u>2,520,000</u>	<u>1,014,498</u>	<u>3,822,334</u>	<u>4,579,155</u>
<b>NET CHANGE IN FUND BALANCES</b>	24,903	3,653,456	(3,472,508)	(493,434)	(2,817,176)	(3,104,759)
Fund balance, beginning of year	<u>1,365,853</u>	<u>-</u>	<u>9,584,802</u>	<u>496,889</u>	<u>10,276,120</u>	<u>21,723,664</u>
Fund balance, end of year	<u>\$ 1,390,756</u>	<u>\$ 3,653,456</u>	<u>\$ 6,112,294</u>	<u>\$ 3,455</u>	<u>\$ 7,458,944</u>	<u>\$ 18,618,905</u>

The accompanying notes are an integral part of these financial statements.

# County of Emmet

## BALANCE SHEET - PROPRIETARY FUNDS

December 31, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Medical Care Facility*	Disposal and Recycle Systems*	Fair Committee	Totals	
<b>ASSETS</b>					
Cash and equivalents	\$ 144,013	\$ 1,473,133	\$ 50,914	\$ 1,668,060	\$ 3,954,440
Accounts and advances receivable	857,179	202,343	-	1,059,522	-
Property taxes receivable	-	-	-	-	1,872,264
Prepaid expenditures and deferred charges	44,312	-	1,180	45,492	-
Other	39,445	-	-	39,445	3,492
Total current assets	1,084,949	1,675,476	52,094	2,812,519	5,830,196
Capital assets, net of depreciation	7,842,454	1,886,669	29,569	9,758,692	-
Total assets	<u>\$ 8,927,403</u>	<u>\$ 3,562,145</u>	<u>\$ 81,663</u>	<u>\$ 12,571,211</u>	<u>\$ 5,830,196</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Checks in excess of deposits	\$ 545,445	\$ -	\$ -	\$ 545,445	\$ 170,433
Accounts payable	104,987	115,137	963	221,087	12,096
Accrued wages and related liabilities	311,571	-	-	311,571	-
Deferred revenue	164,725	-	-	164,725	-
Deposits and advances	9,852	-	-	9,852	-
Due to other governmental units	100,000	-	-	100,000	15,705
Notes payable	-	-	-	-	1,665,000
Total liabilities	1,236,580	115,137	963	1,352,680	1,863,234
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	7,842,454	1,886,669	29,569	9,758,692	-
Restricted for capital acquisitions	29,445	-	-	29,445	-
Unrestricted	(181,076)	1,560,339	51,131	1,430,394	3,966,962
Total net assets	7,690,823	3,447,008	80,700	11,218,531	3,966,962
Total liabilities and net assets	<u>\$ 8,927,403</u>	<u>\$ 3,562,145</u>	<u>\$ 81,663</u>	<u>\$ 12,571,211</u>	<u>\$ 5,830,196</u>

\* Major funds

The accompanying notes are an integral part of these financial statements.

# County of Emmet

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

For the year ended December 31, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Medical Care Facility*	Disposal and Recycle Systems*	Fair Committee	Totals	
<b>Operating revenue</b>					
Charges for sales and services	\$ 6,408,069	\$ 2,586,213	\$ 167,439	\$ 9,161,721	\$ 405,044
<b>Operating expenses</b>					
Personnel services	5,900,444	545,278	16,007	6,461,729	-
Contractual services	1,322,379	1,289,113	96,406	2,707,898	19,744
Supplies	-	44,406	4,085	48,491	-
Heat, light and power	-	37,277	-	37,277	-
Prizes and premiums	-	-	65,196	65,196	-
Other	197,301	105,751	974	304,026	-
Depreciation	96,825	197,540	5,207	299,572	-
Total operating expenses	7,516,949	2,219,365	187,875	9,924,189	19,744
<b>OPERATING INCOME (LOSS)</b>	<b>(1,108,880)</b>	<b>366,848</b>	<b>(20,436)</b>	<b>(762,468)</b>	<b>385,300</b>
<b>Nonoperating revenues (expenses)</b>					
Grants - State	193,768	2,105	42,589	238,462	-
Rent	-	-	12,860	12,860	-
Contributions, other sources	-	-	30,815	30,815	-
Interest revenue	-	23,457	318	23,775	464,430
Loss on sale of property	(24,469)	-	-	(24,469)	-
Interest expense	-	-	-	-	(43,875)
Total nonoperating revenues	169,299	25,562	86,582	281,443	420,555
<b>INCOME (LOSS) BEFORE OPERATING AND EQUITY TRANSFERS</b>	<b>(939,581)</b>	<b>392,410</b>	<b>66,146</b>	<b>(481,025)</b>	<b>805,855</b>
Operating transfers in (out)	500,000	-	-	500,000	(162,000)
Equity transfer from Emmet County Building Authority	7,391,480	-	-	7,391,480	-
<b>CHANGE IN NET ASSETS</b>	<b>6,951,899</b>	<b>392,410</b>	<b>66,146</b>	<b>7,410,455</b>	<b>643,855</b>
Net assets, beginning of year	738,924	3,054,598	14,554	3,808,076	3,323,107
Net assets, end of year	\$ 7,690,823	\$ 3,447,008	\$ 80,700	\$ 11,218,531	\$ 3,966,962

\* Major funds

The accompanying notes are an integral part of these financial statements.

# County of Emmet

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended December 31, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Medical Care Facility*	Disposal and Recycle Systems*	Fair Committee	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 6,343,566	\$ 2,512,764	\$ 167,439	\$ 9,023,769	\$ 409,205
Cash payments to employees and suppliers	(7,352,930)	(1,998,861)	(117,856)	(9,469,647)	(3,722)
Cash payments of prizes and premiums	-	-	(65,196)	(65,196)	-
Net cash provided (used) by operating activities	(1,009,364)	513,903	(15,613)	(511,074)	405,483
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Repayment of bond principle	-	-	-	-	(1,885,000)
Interest paid on bonds	-	-	-	-	(43,875)
Tax collection proceeds	-	-	-	-	3,837,552
Operating transfers from other funds	500,000	-	-	500,000	-
Operating transfers from other governmental units	-	-	-	-	(162,000)
Patient trust withdrawals	(545)	-	-	(545)	-
Purchase of taxes	-	-	-	-	(1,690,259)
Grants and contributions received	-	2,105	42,589	44,694	-
Net cash provided by non-capital and related financing activities	499,455	2,105	42,589	544,149	56,418
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(64,347)	(910,899)	(32,302)	(1,007,548)	-
Sale of investments	-	400,000	-	400,000	-
Contributions	25,126	-	30,815	55,941	-
Net cash provided by rental activities	-	-	12,860	12,860	-
Net cash provided (used) by capital and related financing activities	(39,221)	(510,899)	11,373	(538,747)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	-	23,457	318	23,775	464,430
<b>NET INCREASE (DECREASE) IN CASH</b>	(549,130)	28,566	38,667	(481,897)	926,331
Cash, beginning of year	147,698	1,444,567	12,247	1,604,512	2,857,676
Cash, end of year	<u>\$ (401,432)</u>	<u>\$ 1,473,133</u>	<u>\$ 50,914</u>	<u>\$ 1,122,615</u>	<u>\$ 3,784,007</u>
<b>COMPONENTS OF CASH</b>					
Cash and cash equivalents	\$ 144,013	\$ 1,473,133	\$ 50,914	\$ 1,668,060	\$ 3,954,440
Checks in excess of deposits	(545,445)	-	-	(545,445)	(170,433)
Cash, end of year	<u>\$ (401,432)</u>	<u>\$ 1,473,133</u>	<u>\$ 50,914</u>	<u>\$ 1,122,615</u>	<u>\$ 3,784,007</u>

\* Major funds

The accompanying notes are an integral part of these financial statements.

# County of Emmet

## STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2004

	Pension Trust <u>Funds</u>	Agency Funds <u>Funds</u>
<b>ASSETS</b>		
Cash and deposits	\$ -	\$ 1,279,351
Investments	.0,816,037	-
Accounts receivable, net	-	374,088
Total assets	<u>\$0,816,037</u>	<u>\$ 1,653,439</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to other funds	\$ -	\$ 1,069,431
Due to other governmental units	-	464,832
Due to inmates	-	117,767
Deposits	-	1,409
Total liabilities	-	<u>1,653,439</u>
<b>NET ASSETS</b>		
Reserved for employees' retirement systems	<u>\$0,816,037</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**County of Emmet**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the year ended December 31, 2004

Pension Trust

Funds

**ADDITIONS TO NET ASSETS**

Employer contributions	\$ 1,077,215
Investment earnings	747,699
Rollover contributions	<u>78,161</u>

Total additions	<u>1,903,075</u>
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**DEDUCTIONS FROM NET ASSETS**

Benefit payments	893,359
Other expenses	<u>37,505</u>

Total deductions	<u>930,864</u>
------------------	----------------

**NET CHANGE IN NET ASSETS**

972,211

Net assets available for benefits, beginning of year	<u>9,843,826</u>
--	------------------

Net assets available for benefits, end of year	<u><u>\$ 10,816,037</u></u>
--	-----------------------------

# County of Emmet

## STATEMENT OF NET ASSETS - EMMET COUNTY ROAD COMMISSION

December 31, 2004

### ASSETS

Cash and equivalents	\$ 578,460
Accounts receivable	
Michigan Transportation Fund	581,536
State - trunkline maintenance	146,174
State - other	2,170
Sundry accounts	66,879
Due from primary government	126,042
Inventory	
Road materials	387,879
Equipment, parts and materials	96,757
Capital assets, net of accumulated depreciation	<u>6,908,252</u>
Total assets	<u>\$ 8,894,149</u>

### LIABILITIES AND NET ASSETS

#### LIABILITIES

Current liabilities	
Accounts payable	\$ 142,524
Accrued liabilities	27,479
Advances from State	236,586
Deferred revenue	161,675
Interest payable	7,176
Escrow payable	5,007
Installment purchase agreements payable	228,352
Noncurrent liabilities	
Vested employee benefits	200,610
Installment purchase agreements payable	<u>2,155,032</u>
Total liabilities	<u>3,164,441</u>

#### NET ASSETS

Invested in capital assets, net of related debt	4,517,692
Restricted for County Road Commission	<u>1,212,016</u>
Total net assets	<u>5,729,708</u>
Total liabilities and net assets	<u>\$ 8,894,149</u>

The accompanying notes are an integral part of these financial statements.

## County of Emmet

### STATEMENT OF ACTIVITIES - EMMET COUNTY ROAD COMMISSION

For the year ended December 31, 2004

#### PROGRAM EXPENSES

Primary road maintenance	\$ 1,565,466
Local road maintenance	1,820,964
State trunkline maintenance	802,206
Net equipment expense	83,373
Net administrative expense	370,567
Other	105,339
Interest expense	<u>92,590</u>

Total program expenses	<u>4,840,505</u>
------------------------	------------------

#### PROGRAM REVENUES

License permits	38,663
Federal grants	69,109
State grants	3,944,085
Contributions from local units	487,088
Charges for services	817,864
Investment earnings	<u>7,299</u>

Total program revenues	<u>5,364,108</u>
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NET PROGRAM REVENUES	523,603
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General revenue	
Gain on equipment disposal	<u>34,418</u>

CHANGE IN NET ASSETS	558,021
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Net assets, beginning of year	<u>5,376,687</u>
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Prior period adjustment - bonds payable	(205,000)
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Net assets, beginning of year - restated	<u>5,171,687</u>
--	------------------

Net assets, end of year	<u><u>\$ 5,729,708</u></u>
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The accompanying notes are an integral part of these financial statements.



# County of Emmet, Michigan

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Introduction*

The County of Emmet, Michigan (the "County") was organized in 1853 and covers an area of 461 square miles divided into 16 townships, 3 villages and 2 cities. The County Seat is located in the City of Petoskey. The County operates under an elected county Board of Commissioners (seven members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development and human services. The component units discussed below are included in the County's financial reporting entity because of the significance of their operational or financial relationships with the County.

#### *The Financial Reporting Entity*

The County's financial statements include the accounts of all County operations. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the County is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the County. Additionally, the County is required to consider other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete.

Based on this criteria, the County has identified the following blended and discretely presented component units requiring inclusion in the County's financial statements and other jointly governed organizations evaluated:

#### BLENDDED COMPONENT UNIT

##### *Emmet County Building Authority*

The Emmet County Building Authority (the "Building Authority") is governed by a three-member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

## NOTES TO FINANCIAL STATEMENTS - Continued

### DISCRETELY PRESENTED COMPONENT UNIT

#### *Emmet County Road Commission*

The Emmet County Road Commission (the "Road Commission"), which is established pursuant to the County Road Law (MCL 224.1), is governed by a three-member Board of County Road Commissioners appointed by the Emmet County Board of Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

The component unit financial statements include the financial data of the Emmet County Road Commission. These financial statements are reported in a discrete manner to emphasize that they are legally separate from the County.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the County Clerk's Office at the courthouse.

#### Administrative Offices

Emmet County Building Authority  
County Controller  
200 Division  
Petoskey, MI 49770

Emmet County Road Commission  
2265 East Hathaway Road  
Harbor Springs, MI 49470

### JOINTLY GOVERNED ORGANIZATIONS

#### *Northwest Michigan Community Health Agency*

Antrim, Charlevoix, Emmet and Otsego Counties participate jointly in the operation of the Northwest Michigan Community Health Agency. All of the financial operations of the District Health Agency are reported in the financial statements of Charlevoix County. The funding formula approved by the member counties is based pro rata on each county's population and equalized valuation to the district's total population and valuation.

A copy of the audit report may be acquired from Northwest Michigan Community Health Agency, 220 West Garfield, Charlevoix, Michigan 49720.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***North Country Community Mental Health Services***

North Country Community Mental Health (the "Authority") was created on April 1, 2003, as an independent Mental Health Authority, by the counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska and Otsego under Public Act 290, P.A. 1995. The Authority is the survivor, resulting from the merger of Northern Michigan Community Mental Health Services Board and Antrim Kalkaska Community Mental Health Services Board. The Authority's purpose and power is to comply with and carry out the provisions of the Michigan Mental Health Code in the six county area it serves. It is governed by an 18 member board, with each county commission appointing its pro-rata representation based on population.

The Authority is not a component unit of any other reporting entity. A copy of the audit report may be acquired from North Country Community Mental Health Services Board, One MacDonald Drive, Suite A, Petoskey, MI 49770.

### ***CCE Central Dispatch Authority***

The County of Emmet has entered into a joint operating agreement with the bordering counties of Charlevoix and Cheboygan. Under the agreement, the three participating counties have agreed to establish and operate the CCE Central Dispatch Authority (the "Authority"), a 911 central dispatch service in the three county area. A member of the County's Board of Commissioners serves on the Board of the Authority. Based on a formula specified in the agreement, the County is obligated to fund its portion of the expenditures to operate the Authority.

The Authority is not a component unit of any other reporting entity. Audited financial statements for the CCE Central Dispatch Authority can be obtained by contacting the CCE Central Dispatch Authority's office, 1694 South US 131 Highway, Petoskey, MI 49770.

### ***Emmet County Family Independence Agency***

The Family Independence Agency ("FIA") Board consists of two members appointed by Emmet County's Board of Commissioners and one member appointed by the governor. The FIA Board meets jointly with the Charlevoix County Family Independence Agency Board. The combined financial operation of the Family Independence Agency of Emmet and Charlevoix Counties is reported by Charlevoix County. The FIA Board also oversees the operations of the Emmet County Medical Care Facility, which is included with Emmet County's enterprise funds.

Audited financial statements for Charlevoix County, including the Family Independence Agency, can be obtained from the Charlevoix County Clerk's office, 203 Antrim Street, Charlevoix, MI 49720.

## ***Government-Wide and Fund Financial Statements***

### ***Government-Wide Financial Statements***

As permitted by the Michigan Department of Treasury under Statement No. 7 of the Michigan Committee on Governmental Accounting and Auditing, the County has elected to omit the statements of net assets and activities, which are intended to display information about the County as a whole.

## NOTES TO FINANCIAL STATEMENTS - Continued

### *Fund Financial Statements*

The balance sheets; statements of revenues, expenditures/expenses and changes in fund balances/net assets; and statements of cash flows (i.e., fund financial statements) for the County's governmental, proprietary and fiduciary funds display information about the major and aggregated non-major funds for the various fund types. Major funds are generally those that represent 10% or more of the respective fund assets, liabilities, revenues or expenditures.

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The fund financial statements of the County are prepared in accordance with *Generally Accepted Accounting Principles* ("GAAP"). The County applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The County does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The governmental funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the financial resources measurement focus, only current assets and current liabilities are generally included on governmental fund balance sheets. An exception to this general rule is long-term interfund advances which are recorded on governmental fund balance sheets. The governmental fund operating statements present a summary of sources and uses of available spendable resources. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Grants are recognized when grantor eligibility requirements are met. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred.

The fiduciary funds are generally maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

## NOTES TO FINANCIAL STATEMENTS - Continued

### *Fund Types and Major Funds*

#### *Activities in Major Funds*

#### GOVERNMENTAL FUNDS

**General Fund** - This fund is used to account for all financial resources except those provided for in other funds. Revenues are primarily derived from property taxes, State and Federal Aid and charges for services to provide for the administration and operation of: (1) general County governmental departments, board and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the County.

**Revenue Sharing Fund** - This fund is used to account for the funding mechanism to serve as a substitute to state revenue sharing payments.

**Building Authority Renovation Fund** - This fund is used to account for costs associated with renovation of various County properties.

**Capital Projects Fund** - This fund is used to account for earmarked revenue set aside for statutory public improvements.

#### PROPRIETARY FUNDS

**Medical Care Facility** - This fund is used to account for the operations of the County Medical Care Facility. Financing is provided by charges for services, and when necessary, General Fund Operating transfers.

**Disposal and Recycle Systems** - This fund is used to account for the operations of the County Sanitary Transfer Station and Recycling Center. Financing is primarily provided by charges for services and sale of recyclable materials.

#### *Activities in Non-Major Funds*

#### GOVERNMENTAL FUNDS

**Special Revenue Funds** - These funds are used to account for specific revenue (other than special assessments, expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

**Debt Service Funds** - These funds are used to record revenues which are restricted or otherwise provided for the payment of principal and interest on general long-term debt.

**Capital Project Funds** - These funds are used to account for the acquisition or construction of major facilities other than those financed by Proprietary Fund operations.

## NOTES TO FINANCIAL STATEMENTS - Continued

### PROPRIETARY FUNDS

**Enterprise Funds** - These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Internal Service Funds** - These funds account for the purchase of delinquent real property taxes from local units of government.

### FIDUCIARY FUNDS

**Trust and Agency Funds** - These funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds are Pension Trust Funds and Agency Funds.

#### ***Budgets and Budgetary Accounting***

Budgets are adopted by the County Board of Commissioners for the primary government's General and Special Revenue Funds. The Board of County Road Commissioners adopts a budget for the discretely presented component unit. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the functional level and control is exercised at the functional level.

The County does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

#### ***Cash and Investments***

The County pools financial resources of its various funds to facilitate the management of cash and investments. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in bank certificates of deposit and in various interest-bearing securities.

For the purpose of the statement of cash flows, the County considers all highly liquid investments, including all certificates of deposit and all restricted investments, with a maturity of 90 days or less, to be cash equivalents.

Cash deposits are reported at carrying amount which reasonably estimates fair value. Short-term investments are reported at cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Interfund Transactions and Balances***

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Due to/from other funds are short-term interfund balances that occur in the normal course of operations. Advances to/from other funds are long-term interfund financing arrangements.

Interfund transfers in and out arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Operating transfers in/out are short-term interfund transactions that occur in the normal course of operations.

### ***Inventories***

The primary government's inventory is stated at the lower-of-cost or market using the first-in, first-out method.

The Emmet County Road Commission's inventory is stated at the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

### ***Property, Plant and Equipment of Proprietary Funds***

Property, plant and equipment used in proprietary funds are stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. The County generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. Expenditures for major renewals and maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land or construction in process. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The estimated useful lives, in years, for depreciable assets are as follows:

Land improvements	15 years
Buildings and improvements	20 - 50 years
Equipment	5 - 10 years

### ***General Fixed Assets***

General fixed assets are not reported in the financial statements but are accounted for and disclosed in these notes.

General fixed assets are stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Assets acquired using State and Federal grants not administered by the County (i.e. airport improvements) and public infrastructure not used by a proprietary fund are not accounted for. Property, plant and equipment acquired or constructed for general governmental operations is recorded as an expenditure in the fund making the expenditure.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Capital Assets of Discretely Presented Component Unit***

Capital assets include property, plant, equipment and infrastructure assets (e.g., road, bridges and similar items), are stated at historical costs or estimated historical cost of purchase or constructed. Capital assets are defined by Emmet County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ended June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Emmet County Road Commission has capitalized only the current year's infrastructure, as required by GASB Statement No. 34, and has reported the infrastructure assets in the statement of net assets.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Road equipment	5 to 8 years
Shop equipment	10 years
Engineering department	4 to 10 years
Office equipment	4 to 10 years
Infrastructure - roads	8 to 30 years
Infrastructure - bridges	12 to 50 years

### ***Property Taxes***

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31. However, Public Act 357 provides a funding mechanism to serve as a substitute to State revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy. This shift will occur evenly over the three year period from 2005 to 2007.

It is the County's policy to report the current tax levy in the financial statements as deferred revenue in the General Fund to the extent it will be used to fund future activities and recognize revenues in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations. The amount of the current levy that must be deposited in the Revenue Sharing Reserve Fund is recognized as revenue in the current period. Collection of taxes from the current tax levy, which are received prior to year-end, are held in the Trust and Agency Fund.

### ***Restricted Assets***

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.



## NOTES TO FINANCIAL STATEMENTS - Continued

Certain governmental and proprietary funds and similar component unit assets are restricted for construction funded through long-term debt, passenger facility charges and Federal grant revenues. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds. Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt.

### ***Tax Revolving Funds***

The County maintains tax revolving funds for delinquent taxes purchased from each of the taxing units within the County. These purchases are financed by issuing general obligation limited tax notes when necessary. Interest and collection fees earned on the taxes collected and interest earned on investments of each of the funds are restricted to meet the obligations of the notes. When the notes are retired, any remaining money may be transferred to the General Fund.

### ***Compensated Absences***

**Primary Government.** The County's policy is to grant employees 12 leave days per year. Prior to the end of the year, employees are paid for any remaining unused leave days at \$100 per day and are not allowed to carryover days to the next year. Consequently, there is no liability for accumulated unpaid leave.

Employees earn vacation leave benefits on their anniversary date, the amount of which is dependent on their length of employment. Benefits must be used within one year and cannot be carried over. Accordingly, all accrued vacation is recorded as a current liability in the applicable funds.

**Component Unit.** In accordance with contracts negotiated with the various employee groups of the Road Commission, employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts.

Employees are compensated 100% of their vested vacation leave upon death, retirement or resignation. Sick leave vests upon death or retirement, limited to 50% of their total accumulated sick time up to a maximum of 50 days.

### ***Fund Equity***

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reserves of fund equity represent portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Unrestricted net assets of Proprietary Funds represent the net assets that have not been legally identified for specific purposes.

# NOTES TO FINANCIAL STATEMENTS - Continued

## Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

## NOTE B - BUDGETARY POLICY AND PRACTICE

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2004, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General government	\$ 3,307,526	\$ 3,370,744	\$ 63,218
Public works - airport	1,694,697	1,892,345	197,648
Parks and recreation	133,073	152,639	19,566
Contributions to other organizations	1,226,988	1,275,346	48,358
Friend of the Court Fund			
Judicial	421,708	425,575	3,867
Soldier Relief Fund			
Health and welfare	15,000	17,101	2,101
Veteran's Trust Fund			
Health and welfare	2,500	3,293	793
S.A.N.E. Fund			
Public safety	513,820	532,932	19,112
Operating Contingency Fund			
Capital outlay	2,487,912	2,494,773	6,861
Park System Fund			
Capital outlay	-	9,898	9,898

The Revenue Sharing Fund is a budgetary fund opened by the County during 2004. A budget was not adopted for this fund and related expenditures were \$0.

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE C - DEPOSITS AND INVESTMENTS**

The funds of the County are deposited and invested as permitted under Act 20 P.A. 1943, as amended by Act 196 P.A. 1997. Pension trust funds are invested as permitted under Act 314 P.A. 1965, as amended.

	Primary Government		Component Unit		Total
	Deposits	Investments	Deposits	Investments	
Carrying amounts					
Cash and equivalents	\$20,337,241	\$ 1,050,431	\$ 5,829	\$ 572,631	\$21,966,132
Investments	-	10,816,037	-	-	10,816,037
Checks issued in excess of deposits	(1,347,156)	-	-	-	(1,347,156)
	<u>\$18,990,085</u>	<u>\$11,866,468</u>	<u>\$ 5,829</u>	<u>\$ 572,631</u>	<u>\$31,435,013</u>

***Deposits***

Michigan law authorizes the County to deposit in the accounts of Federally insured banks, credit unions and savings and loans associations located in Michigan.

The Governmental Accounting Standards Board Statement No. 3, *Risk Disclosures for Cash Deposits*, are as follows:

	Primary Government		Component Unit	
	Carrying Amounts	Bank Balance	Carrying Amounts	Bank Balance
Bank balances				
Insured (FDIC)	\$ 400,000	\$ 400,000	\$ -	\$ -
Uninsured and uncollateralized	18,590,085	19,267,374	-	-
Uncategorized	-	-	5,829	110,365
	<u>\$ 18,990,085</u>	<u>\$ 19,667,374</u>	<u>\$ 5,829</u>	<u>\$ 110,365</u>

***Investments***

Michigan law permits investments in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certain commercial paper.
3. United States Government repurchase agreements.
4. Banker's acceptance of United States banks.
5. Certain mutual funds.
6. Certificates of deposit.
7. Savings and money market accounts.

Investments made by the County are money market funds and mutual funds which are stated at market value. None of the investments are represented by specific identifiable investment securities and, therefore, cannot be classified as to credit risk.

**NOTE D - PROPERTY TAXES**

***2003 Tax Levy***

The 2003 taxable valuation of Emmet County amounted to \$2.112 billion, on which ad valorem taxes of 4.85 allocated mills were levied for 2004 County operating purposes, an extra-voted 0.4742 mills were levied for Senior Citizens' programs and 0.4931 mills for Medical Care Facility renovation debt retirement.

The December 2003 tax levy raised current tax revenue of \$10.26 million for County operations, \$1.0 million for the Senior Citizens' programs and \$1.04 million for the Medical Care Facility renovation debt retirement. These amounts are recognized in the respective General, Special Revenue and Debt Service Funds' financial statements as revenue.

***2004 Tax Levy***

The 2004 taxable valuation of Emmet County amounted to \$2.260 billion, on which ad valorem taxes of 4.85 allocated mills were levied for 2005 County operating purposes, an extra-voted 0.4867 mills were levied for Senior Citizens' programs, 0.4867 mills were levied for Medical Care Facility renovation debt retirement and 0.15 mills were levied for ambulance and emergency medical services.

The December 2004 tax levy raised deferred tax revenue of \$10.96 million for 2005 County operations, \$1.10 million for the 2005 Senior Citizens' programs, \$1.10 million for Medical Care Facility renovation debt retirement and \$339,000 for ambulance and emergency medical services. These amounts were initially recognized in the respective General, Special Revenue and Debt Service Funds' financial statements as deferred revenue. In the General Fund, \$3.65 million of the deferred 2004 General Fund tax levy was reallocated to the Revenue Sharing Reserve Fund and recognized as current year tax revenues as a result of Public Act 357.

***Revenue Sharing Reserve - Public Act 357***

The County was required to establish a restricted fund to account for the accumulation of the revenue sharing reserve. The sum total of the County's December 2004 property tax levy of \$10.96 million will be placed in the fund evenly in three annual payments of \$3.65 million from each of the County's December 2004-2006 property tax levies. Annually, the County may make use of the revenue sharing reserve in amounts equal to its October 1, 2003 through September 30, 2004 revenue sharing payments adjusted for inflation. The spendable amount of the Revenue Sharing Fund's fund balance at December 31, 2004 is \$237,885. For 2005, an additional \$535,920 may be spent from the Revenue Sharing Fund.

# NOTES TO FINANCIAL STATEMENTS - Continued

## Delinquent

The delinquent taxes receivable recorded in the Delinquent Tax Revolving Internal Service Funds consist of uncollected real property taxes which became delinquent prior to December 31, 2004, as follows:

2003	\$ 1,690,259
2002	157,305
2001	15,070
2000	1,313
1999	7,768
1998	<u>549</u>
Total delinquent taxes receivable	<u>\$ 1,872,264</u>

## NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 1,069,431	General Fund	\$ 3,653,456
S.A.N.E.	17,075	S.A.N.E. Adjudicated	17,075
Revenue Sharing	<u>3,653,456</u>	Trust and Agency	<u>1,069,431</u>
Total	<u>\$ 4,739,962</u>	Total	<u>\$ 4,739,962</u>

## NOTE F - INVESTMENT IN CAPITAL ASSETS

Investment in capital assets changed as follows during the year ended December 31, 2004:

### Governmental Activities - General Fixed Assets

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Assets Placed in Service and Other Dispositions</u>	<u>Ending</u>
Land	\$ 3,848,250	\$ 2,450,321	\$ -	\$ 6,298,571
Land improvements	2,015,281	54,496	-	2,069,777
Buildings and improvements	13,869,155	7,087,409	8,393,202	29,349,766
Equipment	4,049,293	3,320,901	-	7,370,194
Vehicles	1,075,448	156,807	-	1,232,255
Airport Master Plan	55,999	-	-	55,999
Construction in progress	<u>10,082,989</u>	<u>5,009,697</u>	<u>(15,092,686)</u>	<u>-</u>
Total	<u>\$ 34,996,415</u>	<u>\$ 18,079,631</u>	<u>\$ (6,699,484)</u>	<u>\$ 46,376,562</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**Business-Type Activities - Enterprise Funds**

	<u>Beginning</u>	<u>Capital Acquisitions and Equity Transfers</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Land and improvements	\$ 134,688	\$ 14,059	\$ -	\$ 148,747
Buildings, structures and improvements	2,500,623	7,326,513	(143,662)	9,683,474
Equipment	<u>2,593,714</u>	<u>1,058,456</u>	<u>(542,790)</u>	<u>3,109,380</u>
Total depreciable assets	5,229,025	8,399,028	(686,452)	12,941,601
Less accumulated depreciation	<u>(3,545,320)</u>	<u>(299,572)</u>	<u>661,983</u>	<u>(3,182,909)</u>
Total capital assets, net	<u>\$ 1,683,705</u>	<u>\$ 8,099,456</u>	<u>\$ (24,469)</u>	<u>\$ 9,758,692</u>

**Component Unit**

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Land and land improvements	\$ 775,298	\$ 126,730	\$ -	\$ 902,028
Infrastructure improvements	739,891	302,990	-	1,042,881
Construction in process	21,785	-	21,785	-
Buildings	3,107,813	541,791	(4,030)	3,653,634
Equipment				
Road	6,134,253	259,219	230,727	6,162,745
Shop	194,550	2,350	-	196,900
Office	108,647	-	1,936	106,711
Engineers	66,488	-	2,355	64,133
Yard and storage	191,606	4,250	2,250	193,606
Infrastructure - roads	763,371	298,345	-	1,061,716
Depletable assets (gravel pits)	<u>131,801</u>	<u>-</u>	<u>-</u>	<u>131,801</u>
Total depreciable assets	12,235,503	1,535,675	255,023	13,516,155
Less accumulated depreciation	<u>(6,293,708)</u>	<u>(568,335)</u>	<u>(254,140)</u>	<u>(6,607,903)</u>
Total capital assets, net	<u>\$ 5,941,795</u>	<u>\$ 967,340</u>	<u>\$ 883</u>	<u>\$ 6,908,252</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE G - LONG-TERM LIABILITIES**

A summary of long-term debt transactions for the year ended December 31, 2004 follows:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Primary Government					
General obligation bonds	\$ 20,875,000	\$ -	\$ 1,365,000	\$ 19,510,000	\$ 1,380,000
Notes payable	298,023	2,500,000	112,707	2,685,316	238,455
General obligation limited tax notes	1,885,000	4,200,000	4,420,000	1,665,000	-
Compensated absences*	<u>306,570</u>	<u>4,216</u>	<u>-</u>	<u>310,786</u>	<u>310,786</u>
Total Primary Government	<u>\$ 23,364,593</u>	<u>\$ 6,704,216</u>	<u>\$ 5,897,707</u>	<u>\$ 24,171,102</u>	<u>\$ 1,929,241</u>
Component Unit					
Installment payables	\$ 2,622,155	\$ -	\$ 238,771	\$ 2,383,384	\$ 228,352
Compensated absences*	<u>191,220</u>	<u>9,390</u>	<u>-</u>	<u>200,610</u>	<u>-</u>
Total Component Unit	<u>\$ 2,813,375</u>	<u>\$ 9,390</u>	<u>\$ 238,771</u>	<u>\$ 2,583,994</u>	<u>\$ 228,352</u>

\* Compensated absences new debt represents the net effect of additional vacation days earned and used during the year.

**Primary Government**

**General Long-Term Debt**

*General Obligation Bonds*

\$8,050,000 2002 Series Emmet County Building Authority bonds (Medical Care Facility); due in annual installments of \$500,000 to \$1,250,000 through May 2011; interest rate of 3.25% to 3.85%.

\$ 6,950,000

\$13,250,000 2003 Series Emmet County Building Authority bonds; due in annual installments of \$680,000 to \$1,355,000 through May 2017; interest rate of 2.0% to 5%.

12,560,000

Total general obligation bonds

19,510,000

Building Authority bonds are secured by Limited Tax Full Faith and Credit General Obligation Contracts of lease which require the County to provide cash rental payments to the Authority in amounts sufficient to pay bond obligations as they become due. Inasmuch as the County is the sole member of the Authority and rental payments correspond exactly with debt service requirements, no effect is given the lease agreement for financial reporting purposes.

# NOTES TO FINANCIAL STATEMENTS - Continued

## Notes Payable

Land contract payable; secured by property; monthly payments of \$3,290 beginning January 1, 2003, including interest at 4%; final payment due January 1, 2012. \$ 269,948

Note payable to a bank; secured by property; monthly payments of \$15,323 beginning July 15, 2004, including interest of 4.19%; final payment due July 15, 2014. 1,449,221

Note payable to a bank; secured by property; monthly payments of \$8,172 beginning July 15, 2004, including interest of 4.19%; final payment due July 15, 2014. 772,918

Note payable to a bank; secured by property; monthly payments of \$2,043 beginning July 15, 2004, including interest of 4.19%; final payment due July 15, 2014. 193,229

Total notes payable 2,685,316

*Compensated absences* 310,786

Total general long-term debt 22,506,102

## Proprietary Fund Debt

### *General Obligation Limited Tax Notes*

\$4.2 million 2004 general obligation limited tax notes; variable principle payments due based on receipt of delinquent taxes with entire balance due by May 25, 2006; interest at a variable rate set with respect to the specified interest index; secured by delinquent property taxes. 1,665,000

Total non-current liabilities - primary government \$ 24,171,102

## Component Unit

### *Installment Payables*

\$2,417,155 installment payable to Emmet County Building Authority; due in remaining annual installments of \$204,585 to \$251,942 through May 2017; interest rate of 2.4% to 4.25%. Payments to the Building Authority correspond to payments required of the Building Authority. \$ 2,278,384



# NOTES TO FINANCIAL STATEMENTS - Continued

<p>\$2,070,000 1995 Series Emmet County Building Authority (Road) Bonds; remaining annual installment of \$105,000 due in May 2005; interest rate of 4.75%. Payments to the Building Authority correspond to payments required of the Building Authority.</p>		\$ <u>105,000</u>
<p>Total installment payable</p>		2,383,384
<p><i>Compensated absences</i></p>		<u>200,610</u>
<p>Total non-current liabilities - component unit</p>		<u><u>\$ 2,583,994</u></u>

A portion of the 1995 Series bonds were issued for the benefit of the Road Commission and were secured and repaid by the proceeds of a capital lease between the Road Commission and the Building Authority. The lease amount and terms exactly corresponded with 1995 debt service requirements and, therefore, the 1995 debt is reflected directly in the financial statements of the Road Commission and no effect is given to the capital lease for financial reporting purposes.

On August 1, 2003, the Emmet County Building Authority (for the benefit of the Emmet County Road Commission) issued \$1,195,457 in general obligation bonds with interest rates ranging from 1.5% to 5% to extinguish \$1,235,000 of outstanding 1995 bonds with interest rates ranging from 5% to 5.75%. The refunding was undertaken to lower interest costs and reduce the road commission's annual debt service requirements.

The net proceeds of \$1,378,844 (after payment of \$21,614 of issuance costs), were deposited with an escrow agent to provide for the redemption of the \$1,235,000 outstanding 1995 bonds, payment of \$135,365 of interest on the outstanding bonds and payment of a call premium in the amount of \$24,700. The 1995 bonds will be redeemed by the escrow agent on the optional redemption date of May 1, 2005.

A portion of the 2003 Series Building Authority bonds was allocated to the Road Commission. The amount allocated was \$1,016,698, which generated net proceeds of \$1,000,000. The Road Commission has agreed to pay its pro-rata share of debt service requirements and, therefore, has reflected the debt on its statement of net assets. The Road Commission's share of the debt is also included in the County's listing of long-term debt.

# NOTES TO FINANCIAL STATEMENTS - Continued

## Debt Service Requirements

Interest expense on long-term liabilities was \$843,104 and \$92,590 for the primary government and component unit, respectively, for the year ended December 31, 2004. The annual requirements to amortize general obligation, notes payable and component unit debt outstanding as of December 31, 2004, including interest payments of \$4,889,874, \$567,398 and \$770,313, respectively, are as follows:

Year Ending December 31,	General Obligation	Notes Payable	Total Primary Government	Component Unit
2005	\$ 2,087,850	\$ 345,937	\$ 2,433,787	\$ 381,402
2006	2,289,675	345,937	2,635,612	229,720
2007	2,364,987	345,937	2,710,924	231,024
2008	2,433,363	345,937	2,779,300	231,841
2009	2,342,687	345,937	2,688,624	204,585
2010 - 2014	8,907,437	1,523,029	10,430,466	1,154,264
2015 - 2019	<u>3,973,875</u>	<u>-</u>	<u>3,973,875</u>	<u>720,861</u>
	<u>\$ 24,399,874</u>	<u>\$ 3,252,714</u>	<u>\$ 27,652,588</u>	<u>\$ 3,153,697</u>

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# NOTES TO FINANCIAL STATEMENTS - Continued

## NOTE H - INTERFUND TRANSFERS

### *Operating Transfers*

A summary of operating transfers in and out of individual funds and component units follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers among primary government funds		
General	\$ 640,617	\$ 3,418,294
Friend of the Court	75,000	-
Public Improvement	104,000	-
Tribal Payment	-	173,940
Register of Deeds	35,000	-
Law Library	7,000	-
Child Care	600,000	260,407
Soldier's Relief	20,000	-
S.A.N.E.	119,472	-
S.A.N.E. Adjudicated	-	102,472
Operating Contingency	64,000	-
Emmet County Building Authority - 2003 Bonds	1,019,915	-
Medical Care Facility 2002 Bonds	-	500,000
911 Equipment Fund	131,250	-
Park System	50,000	-
Capital Projects	1,014,498	-
Fairgrounds Project	10,000	-
Building Authority Construction Fund	200,000	-
Building Authority Renovation Fund	20,000	-
Airport Facility Fund	6,361	-
Delinquent Tax Revolving - 1997	-	68,918
Delinquent Tax Revolving - 1998	-	162,000
Delinquent Tax Revolving - 2002	68,918	-
Medical Care Facility	500,000	-
Total primary government	<u>\$ 4,686,031</u>	<u>\$ 4,686,031</u>

In 2003, the Medical Care Facility (the "Facility") began renovation and construction of a building addition. The estimated cost of the project is approximately \$8 million. During the construction, the County's Building Authority Construction Fund will account for all the activities relating to the project. Because the County Building Authority is responsible for the construction, the related construction-in-process is recorded in the County's general fixed assets. Upon completion of each phase of the project, the Facility will record the capitalized assets placed into service as a transfer from the Emmet County Building Authority. Phase I was completed during 2004 and the Facility has recorded the costs totaling \$7.391 million associated with this phase as a current year contribution from the Emmet County Building Authority.

**NOTE I - COUNTY OF EMMET RETIREMENT PLAN**

***Plan Description***

The County of Emmet Retirement Plan and Trust (the "Plan") is a single employer defined benefit pension plan administered by the County Board of Commissioners. As such, it is reported with the Pension Trust Funds in the County's financial statements.

The Plan covers employees who are members of the United Steel Workers of America AFL-CIO and other electing employees who met certain age and service requirements as of December 31, 1995, the date after which the County of Emmet Money Purchase Pension Plan and Trust became effective. At December 31, 2004, participants included 94 retirees and beneficiaries currently receiving benefits, 101 inactive or terminated employees entitled to benefits but not yet receiving them and 3 current active employees. The Plan is closed to new entrants.

The Plan provides retirement and death benefits to Plan members and their beneficiaries, in accordance with the Retirement Plan and Trust Agreement (the "Agreement") entered into between the County and certain unions, pursuant to the provisions of collective bargaining agreements. Benefit provisions may be amended by the Plan administrator subject to the provisions of the applicable collective bargaining agreements.

***Funding Policy and Contributions***

The County is obligated to contribute amounts required to fund the Plan. The funding policy followed by the County Board of Commissioners allows for contributions to be made at the discretion of the Board after taking into consideration such items as: (1) the funded status of the Plan; (2) recent investment performance; and (3) availability of resources from which to contribute. Employees are not permitted to contribute to the Plan.

During 2004, the contributions to the Plan totaled \$357,491.

**NOTE J - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN**

The County contributes to a defined contribution retirement plan, administered by the County Board of Commissioners with the International City Management Association Retirement Corporation ("ICMA"), Hartford Funds, Nationwide, John Hancock Funds, FTJ Fund Choice, LLC and the Mutual Trust Life Insurance Company acting as investment fiduciaries. Contributions are determined by an employment agreement requiring employer contributions of 8% of covered payroll.

The County contributed \$719,724 to the Plan during the year ended December 31, 2004, equal to 8% of covered payroll.

**NOTE K - DEFINED BENEFIT PENSION PLAN - COUNTY ROAD COMMISSION**

The Emmet County Road Commission participates in the Michigan Municipal Employees Retirement System. Required pension disclosures are included in separately prepared financial statements for the Road Commission. The unfunded pension benefit obligation for the Road Commission Plan at December 31, 2003 was \$7,794,682. Net assets available for benefits totaled \$2,225,186. The actuarial determined minimum employer contributions were made by the Road Commission.

**NOTE L - CONTINGENCIES**

***Grant Programs***

The County participates in State and Federally assisted grant programs. The programs are subject to economy and efficiency and program result audits by the grantors or their representatives. The audits of the programs for or including the year ended December 31, 2004 have not yet been conducted. Accordingly, the County's compliance with applicable grant requirements will be established at some future date.

***Legal Matters***

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial position of the County.

**NOTE M - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of, assets; errors and omissions; injuries to employees; and natural disaster.

To the extent prudent, the County carries commercial insurance for risks of loss. Such losses have not exceeded insured limits within the past three years.

***Component Unit***

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims of \$50,000 for each insured event.

## NOTES TO FINANCIAL STATEMENTS - Continued

The Road Commission continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

### NOTE N - JOINT VENTURES

#### *Central Dispatch Authority*

In 1993, the County, with Charlevoix and Cheboygan Counties, jointly established the C.C.E. Central Dispatch Authority (the "Authority"), which is a Michigan municipal body formed by and on behalf of participating municipalities located within the counties of Charlevoix, Cheboygan and Emmet, through the auspices of the Inter-Governmental Contracts Between Municipalities Act, Urban Cooperation Act and Emergency Telephone Services Enabling Act. The purpose of the Authority is to centralize the dispatch of emergency service responders in the three-county area. Dispatch services commenced during June 1996.

The Authority is governed by a Board of Directors consisting of nine members; three representing each county. Of each county's representatives, one is a county commissioner appointed by the county, one is a city/village official (mayor, village president, village trustee, city council member or city manager) selected by a majority vote of all the mayors in the county and one is an elected township official selected by a majority vote of the Michigan Townships Association chapter in the county.

Under the terms of the agreement creating the Authority, each member county is responsible for providing funding, based on a formula, payable quarterly in advance. Nonpayment may result in termination of the Central Dispatch Service. The funding formula, which will be reviewed every five years, calls for each county to provide 20% of the required funding (total 60% for the three counties), plus their pro rata share of the remaining 40%, based on telephone lines. The 2004 allocation percentages and amount of total funding for operations are as follows:

	Total Allocation	
	Percent	Amount
Charlevoix	32.77 %	\$ 383,116
Cheboygan	30.77 %	359,734
Emmet	36.46 %	426,256
Total	<u>100.00 %</u>	<u>\$ 1,169,106</u>

Audited financial information for the Central Dispatch Authority as of December 31, 2004 was not available at the time this report was published.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Northwest Michigan Community Health Agency***

The Northwest Michigan Community Health Agency is a Michigan municipal body and an agency of Antrim, Charlevoix, Emmet and Otsego Counties, created under Act 368, Public Acts of 1978. The Agency is a component unit of the County of Charlevoix, Michigan and is used to control the expenditures of revenues from agreements with the State of Michigan, local appropriations and charges for services rendered.

Member counties' appropriations for the year 2004 were:

Antrim	\$ 171,397
Charlevoix	199,440
Emmet	240,759
Otsego	<u>177,987</u>
	<u>\$ 789,583</u>

The following financial information has been obtained from the audited financial statements of the Northwest Community Health Agency as of and for the year ended December 31, 2004:

Total assets	\$ 2,944,360
Total net assets	1,798,320
Total revenues	13,057,181
Total expenditures	12,630,592
Change in net assets	426,589

### ***Family Independence Agency***

The Family Independence Agencies of Emmet and Charlevoix Counties were combined as of October 1, 1997. The combined activity is reported in the financial statements of the County of Charlevoix, Michigan.

Emmet County contributed \$14,000 to the Family Independence Agency during the year ended December 31, 2004.

### ***North Country Community Mental Health Services***

North Country Community Mental Health Services (the "Authority") was created on April 1, 2003, by the Counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska and Otsego under Public Act 290, P.A. 1995 as successor to the Northern Michigan Community Mental Health Services Board. The Authority's purpose and power is to comply with and carry out the provisions of the Michigan Mental Health Code in the six county area it serves.

# NOTES TO FINANCIAL STATEMENTS - Continued

Member counties' appropriations for the year ended September 30, 2004 were:

Antrim	\$ 145,611
Charlevoix	112,446
Cheboygan	111,995
Emmet	131,335
Kalkaska	61,875
Otsego	<u>94,003</u>
	<u>\$ 657,265</u>

The following financial information has been obtained from the audited financial statements of the North Country Community Mental Health as of and for the year ended September 30, 2004:

Total assets	\$ 10,789,036
Total net assets	5,137,119
Total revenues	54,719,087
Total expenditures	54,692,251
Change in net assets	26,836

## NOTE O - RECONCILIATION OF CASH FLOWS

A reconciliation of operating income (loss) to net cash provided (used) by operating activities follows:

	Enterprise Funds	Internal Service Funds
Operating income (loss)	\$ (762,468)	\$ 385,300
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	299,572	-
Change in assets and liabilities		
Increase in accounts receivable	(70,099)	-
Increase in other current assets	(45,053)	(3,492)
Decrease in deferred proportionate share revenue	(11,963)	-
Increase in accounts payable	27,310	7,970
Increase in other accrued liabilities	<u>51,627</u>	<u>15,705</u>
Net cash provided (used) by operating activities	<u>\$ (511,074)</u>	<u>\$ 405,483</u>

## NOTE P - SUBSEQUENT EVENTS

On June 8, 2005 the County issued \$3.8 million of general obligation limited tax notes to fund the purchase of delinquent 2004 property taxes.



**REQUIRED SUPPLEMENTARY INFORMATION**

# County of Emmet

## BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the year ended December 31, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
<b>REVENUES</b>					
Taxes	\$ 10,137,132	\$ 10,254,550	\$ 10,268,518	\$ 117,418	\$ 13,968
Licenses and permits	706,400	729,800	841,724	23,400	111,924
State and Federal grants	1,441,387	1,184,377	1,302,672	(257,010)	118,295
Charges for services	2,698,930	2,889,932	3,602,676	191,002	712,744
Fines and forfeits	29,000	36,000	40,923	7,000	4,923
Interest and rentals	336,500	330,200	178,436	(6,300)	(151,764)
Other revenue	57,000	54,400	290,081	(2,600)	235,681
Total revenues	15,406,349	15,479,259	16,525,030	72,910	1,045,771
<b>EXPENDITURES</b>					
Legislative	195,665	193,100	169,909	2,565	23,191
Judicial	2,054,071	2,074,810	1,924,013	(20,739)	150,797
General government	3,308,571	3,307,526	3,370,744	1,045	(63,218)
Public safety	4,175,794	4,399,524	4,205,738	(223,730)	193,786
Public works - airport	1,502,543	1,694,697	1,892,345	(192,154)	(197,648)
Health and welfare	293,234	293,039	254,521	195	38,518
Parks and recreation	164,550	133,073	152,639	31,477	(19,566)
Contributions to other organizations	1,156,109	1,226,988	1,275,346	(70,879)	(48,358)
Other	1,032,500	574,400	477,195	458,100	97,205
Total expenditures	13,883,037	13,897,157	13,722,450	(14,120)	174,707
<b>REVENUES OVER EXPENDITURES</b>	1,523,312	1,582,102	2,802,580	58,790	1,220,478
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	930,000	1,470,800	640,617	540,800	(830,183)
Operating transfers out	(2,442,550)	(3,052,738)	(3,418,294)	(610,188)	(365,556)
Total other financing sources (uses)	(1,512,550)	(1,581,938)	(2,777,677)	(69,388)	(1,195,739)
<b>NET CHANGE IN FUND BALANCES</b>	10,762	164	24,903	(10,598)	24,739
Fund balance, beginning of year	1,262,493	1,365,853	1,365,853	103,360	-
Fund balance, end of year	\$ 1,273,255	\$ 1,366,017	\$ 1,390,756	\$ 92,762	\$ 24,739

# County of Emmet

## COUNTY OF EMMET RETIREMENT PLAN AND TRUST SCHEDULE OF FUNDING PROGRESS

For the year ended December 31, 2004

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/1992	\$ 3,527,908	\$ 4,145,164	\$ 617,256	85.11 %	\$ 4,442,773	13.89 %
1/1/1993	3,773,940	5,656,908	1,882,968	66.71 %	4,724,531	39.86 %
1/1/1994	4,189,690	6,588,585	2,398,895	63.59 %	4,896,604	48.99 %
1/1/1995	4,395,766	7,281,370	2,885,604	60.37 %	5,137,238	56.17 %
1/1/1996	5,049,694	6,176,081	1,126,387	81.76 %	5,268,607	21.38 %
1/1/1997	4,681,594	5,920,209	1,238,615	79.08 %	4,260,799	29.07 %
1/1/1998	4,769,335	6,055,922	1,286,587	78.75 %	3,456,388	37.22 %
1/1/1999	5,276,313	6,333,448	1,057,135	83.31 %	3,134,483	33.73 %
1/1/2000	5,892,493	6,389,380	496,887	92.22 %	2,832,558	17.54 %
1/1/2001	5,526,986	6,755,225	1,228,239	81.82 %	336,589	364.91 %
1/1/2002	5,281,036	6,871,857	1,590,821	76.85 %	329,011	483.52 %
1/1/2003	4,670,313	7,037,078	2,366,765	66.37 %	276,892	854.76 %
1/1/2004	5,465,506	8,978,322	3,512,816	60.87 %	244,027	1,439.52 %
1/1/2005	5,626,657	8,964,788	3,338,131	62.76 %	242,860	1,374.51 %

The information presented above was determined as part of the actuarial valuation as of the dates indicated.

**County of Emmet**

**COUNTY OF EMMET RETIREMENT PLAN AND TRUST  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

For the year ended December 31, 2004

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
1992	\$ 215,573	\$ 120,000	55.7 %
1993	419,840	112,500	26.8 %
1994	517,490	336,740	65.1 %
1995	607,271	135,000	22.2 %
1996	292,825	-	- %
1997	-	37,589	100.0 %
1998	221,189	269,530	121.9 %
1999	26,609	130,306	489.7 %
2000	176,578	236,179	133.8 %
2001	280,466	255,464	91.1 %
2002	516,221	286,472	55.5 %
2003	463,121	409,522	88.4 %
2004	231,116	357,491	154.7 %

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2005, the latest actuarial valuation, follows:

Actual cost method	Traditional accrued benefit funding method
Amortization method	Level dollar cost
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.75% Pre-retirement
Projected salary increases	6.00% Post-retirement

**COMBINING FINANCIAL STATEMENTS**

# County of Emmet

## COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2004

### Special Revenue Funds

	Ambulance	Friend of the Court	Brownfield Development Authority	Tribal Payment	Public Improvement	Register of Deeds	Law Library	Child Care	Soldiers' Relief	Veterans' Trust	Older Persons	S.A.N.E.
<b>ASSETS</b>												
Cash and equivalents	\$ 32,112	\$ 264,396	\$ 5,400	\$ 240,262	\$ 7,253	\$ -	\$ 13,913	\$ 109,741	\$ 5,087	\$ 1,939	\$ 152,395	\$ 47,175
Accounts and advances receivable	-	8,078	-	-	-	6,480	-	-	-	-	-	-
Property taxes receivable	306,869	-	-	-	-	-	-	-	-	-	992,576	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	17,075
Due from governmental units	-	161,974	-	-	-	-	-	-	-	-	-	58,424
<b>Total assets</b>	<b>\$ 338,981</b>	<b>\$ 434,448</b>	<b>\$ 5,400</b>	<b>\$ 240,262</b>	<b>\$ 7,253</b>	<b>\$ 6,480</b>	<b>\$ 13,913</b>	<b>\$ 109,741</b>	<b>\$ 5,087</b>	<b>\$ 1,939</b>	<b>\$ 1,144,971</b>	<b>\$ 122,674</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>LIABILITIES</b>												
Checks in excess of deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	4,039	-	-	-	-	909	108,671	-	1,059	553	74,325
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	338,981	-	-	-	-	-	-	-	-	-	1,099,878	-
Accrued wages and related liabilities	-	-	-	-	-	-	-	-	-	-	-	1,753
<b>Total liabilities</b>	<b>\$ 338,981</b>	<b>\$ 4,039</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,826</b>	<b>\$ 909</b>	<b>\$ 108,671</b>	<b>\$ -</b>	<b>\$ 1,059</b>	<b>\$ 1,100,431</b>	<b>\$ 76,078</b>
<b>FUND BALANCES</b>												
Reserved for	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	430,409	5,400	240,262	7,253	654	13,004	1,070	5,087	880	44,540	46,596
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ 430,409</b>	<b>\$ 5,400</b>	<b>\$ 240,262</b>	<b>\$ 7,253</b>	<b>\$ 654</b>	<b>\$ 13,004</b>	<b>\$ 1,070</b>	<b>\$ 5,087</b>	<b>\$ 880</b>	<b>\$ 44,540</b>	<b>\$ 46,596</b>
<b>Total liabilities and fund balances</b>	<b>\$ 338,981</b>	<b>\$ 434,448</b>	<b>\$ 5,400</b>	<b>\$ 240,262</b>	<b>\$ 7,253</b>	<b>\$ 6,480</b>	<b>\$ 13,913</b>	<b>\$ 109,741</b>	<b>\$ 5,087</b>	<b>\$ 1,939</b>	<b>\$ 1,144,971</b>	<b>\$ 122,674</b>

# County of Emmet

## COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - Continued

December 31, 2004

	Special Revenue Funds			Debt Service Funds			Capital Project Funds				Total Other Non-Major Funds
	S.A.N.E. Adjudicated	Operating Contingency	Housing Grant	2002 Bonds	2003 Bonds	911 Equipment Fund	Park System	Building Authority Construction	Airport Facility	Fairground Projects	
<b>ASSETS</b>											
Cash and equivalents	\$ 26,597	\$ 1,199,033	\$ 3,819	\$ 774,030	\$ 14,791	\$ 359,132	\$ 163,184	\$ 1,931,266	\$ 260,474	\$ 42,873	\$ 5,654,872
Accounts and advances receivable	-	-	-	-	-	-	-	2,530	-	-	17,088
Property taxes receivable	-	-	-	992,576	-	-	-	-	-	-	2,292,021
Due from other funds	-	-	-	-	-	-	-	-	-	-	17,075
Due from governmental units	-	-	-	-	-	-	-	-	-	-	220,398
Due from component unit	-	-	-	-	2,278,384	-	-	-	-	-	2,278,384
<b>Total assets</b>	<u>\$ 26,597</u>	<u>\$ 1,199,033</u>	<u>\$ 3,819</u>	<u>\$ 1,766,606</u>	<u>\$ 2,293,175</u>	<u>\$ 359,132</u>	<u>\$ 163,184</u>	<u>\$ 1,933,796</u>	<u>\$ 260,474</u>	<u>\$ 42,873</u>	<u>\$ 10,479,838</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>LIABILITIES</b>											
Checks in excess of deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,762	\$ -	\$ -	\$ 60,588
Accounts payable	-	3,292	-	-	-	-	8,158	201,214	521	-	402,741
Due to other funds	17,075	-	-	-	-	-	-	-	-	-	17,075
Deferred revenue	-	-	-	1,099,878	-	-	-	-	-	-	2,538,737
Accrued wages and related liabilities	-	-	-	-	-	-	-	-	-	-	1,753
<b>Total liabilities</b>	<u>17,075</u>	<u>3,292</u>	<u>-</u>	<u>1,099,878</u>	<u>-</u>	<u>-</u>	<u>8,158</u>	<u>255,976</u>	<u>521</u>	<u>-</u>	<u>3,020,894</u>
<b>FUND BALANCES</b>											
Reserved for											
Capital projects	-	215,417	-	-	-	-	-	1,677,820	259,953	42,873	2,196,063
Debt service	-	-	-	666,728	14,791	-	-	-	-	-	681,519
Long-term receivable	-	-	-	-	2,278,384	-	-	-	-	-	2,278,384
Unreserved	9,522	980,324	3,819	-	-	359,132	155,026	-	-	-	2,302,978
<b>Total fund balances</b>	<u>9,522</u>	<u>1,195,741</u>	<u>3,819</u>	<u>666,728</u>	<u>2,293,175</u>	<u>359,132</u>	<u>155,026</u>	<u>1,677,820</u>	<u>259,953</u>	<u>42,873</u>	<u>7,458,944</u>
<b>Total liabilities and fund balances</b>	<u>\$ 26,597</u>	<u>\$ 1,199,033</u>	<u>\$ 3,819</u>	<u>\$ 1,766,606</u>	<u>\$ 2,293,175</u>	<u>\$ 359,132</u>	<u>\$ 163,184</u>	<u>\$ 1,933,796</u>	<u>\$ 260,474</u>	<u>\$ 42,873</u>	<u>\$ 10,479,838</u>

# County of Emmet

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS

For the year ended December 31, 2004

Special Revenue Funds												
	Ambulance	Friend of the Court	Brownfield Development Authority	Tribal Payment	Public Improvement	Register of Deeds	Law Library	Child Care	Soldiers' Relief	Veterans' Trust	Older Persons	S.A.N.E.
<b>REVENUES</b>												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,088	\$ -
Federal grants	-	327,683	-	-	5,000	-	-	27,823	-	-	-	283,629
State grants	-	118,223	-	-	-	-	-	6,358	-	3,024	-	-
Charges for services	-	38,513	-	-	-	77,045	-	-	-	-	-	-
Interest and rentals	-	3,607	-	4,409	81	107	181	677	-	-	4,134	837
Other revenue	-	-	-	778,432	-	-	3,500	69,263	-	-	-	86,020
Total revenues	-	488,026	-	782,841	5,081	77,152	3,681	104,121	-	3,024	1,004,222	370,486
<b>EXPENDITURES</b>												
Judicial	-	425,575	-	-	-	-	12,390	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	446,994	17,101	3,293	990,128	532,932
Contributions to other organizations	-	-	-	1,056,942	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	105,509	158,562	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	425,575	-	1,056,942	105,509	158,562	12,390	446,994	17,101	3,293	990,128	532,932
<b>REVENUES OVER (UNDER)</b>	-	-	-	(274,101)	(100,428)	(81,410)	(8,709)	(342,873)	(17,101)	(269)	14,094	(162,446)
<b>OTHER FINANCING SOURCES (USES)</b>												
Operating transfers in	-	75,000	-	-	104,000	35,000	7,000	600,000	20,000	-	-	119,472
Operating transfers out	-	-	-	(173,940)	-	-	-	(260,407)	-	-	-	-
Total other financing sources (uses)	-	75,000	-	(173,940)	104,000	35,000	7,000	339,593	20,000	-	-	119,472
<b>NET CHANGE IN FUND BALANCE</b>	-	137,451	-	(448,041)	3,572	(46,410)	(1,709)	(3,280)	2,899	(269)	14,094	(42,974)
Fund balance, beginning of year	-	292,958	5,400	688,303	3,681	47,064	14,713	4,350	2,188	1,149	30,446	89,570
Fund balance, end of year	\$ -	\$ 430,409	\$ 5,400	\$ 240,262	\$ 7,253	\$ 654	\$ 13,004	\$ 1,070	\$ 5,087	\$ 880	\$ 44,540	\$ 46,596



# County of Emmet

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS - Continued

For the year ended December 31, 2004

	Special Revenue Funds			Debt Service Funds			Capital Project Funds					Total Other Non-Major Funds
	S.A.N.E. Adjudicated	Operating Contingency	Housing Grant	2002 Bonds	2003 Bonds	911 Equipment Fund	Park System	Building Authority Construction	Airport Facility	Fairground Projects		
<b>REVENUES</b>												
Taxes	\$ -	\$ -	\$ -	\$ 1,036,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,036,220
Federal grants	-	1,325,700	-	-	-	-	-	-	-	-	-	1,969,835
State grants	-	1,076,514	-	-	-	-	-	-	-	-	-	1,204,119
Charges for services	-	-	-	-	-	-	-	-	-	-	-	115,558
Interest and rentals	593	14,669	-	12,353	84,835	2,426	1,024	59,865	904	282	190,984	1,303,074
Other revenue	48,128	215,200	-	-	-	-	-	-	97,771	4,760	-	-
Total revenues	48,721	2,632,083	-	1,048,485	84,835	2,426	1,024	59,865	98,675	5,042	-	6,819,790
<b>EXPENDITURES</b>												
Judicial	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	1,891	-	-	-	-	-	-	-	-	-	-	437,965
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	534,823
Contributions to other organizations	-	-	-	-	-	-	-	-	-	-	-	1,457,516
Other	-	4,966	-	-	-	-	-	-	-	-	-	1,056,942
Capital outlay	-	2,450,321	-	-	-	-	-	-	-	-	-	4,966
Debt services	-	39,486	-	876,110	1,242,795	-	9,898	5,009,697	71,474	3,236	-	7,808,697
Total expenditures	1,891	2,494,773	-	876,110	1,242,795	-	9,898	5,009,697	71,474	3,236	-	2,158,391
<b>REVENUES OVER (UNDER)</b>												
<b>EXPENDITURES</b>												
	46,830	137,310	-	172,375	(1,157,960)	2,426	(8,874)	(4,949,832)	27,201	1,806	-	(6,639,510)
<b>OTHER FINANCING SOURCES (USES)</b>												
Capital lease proceeds	-	-	-	-	2,417,155	-	-	-	-	-	-	2,417,155
Operating transfers in	-	64,000	-	-	1,019,915	131,250	50,000	200,000	6,361	10,000	-	2,441,998
Operating transfers out	(102,472)	-	-	(500,000)	-	-	-	-	-	-	-	(1,036,819)
Total other financing sources (uses)	(102,472)	64,000	-	(500,000)	3,437,070	131,250	50,000	200,000	6,361	10,000	-	3,822,334
<b>NET CHANGE IN FUND BALANCE</b>	(55,642)	201,310	-	(327,625)	2,279,110	133,676	41,126	(4,749,832)	33,562	11,806	-	(2,817,176)
Fund balance, beginning of year	65,164	994,431	3,819	994,353	14,065	225,456	113,900	6,427,652	226,391	31,067	-	10,276,120
Fund balance, end of year	\$ 9,522	\$ 1,195,741	\$ 3,819	\$ 666,728	\$ 2,293,175	\$ 359,132	\$ 155,026	\$ 1,677,820	\$ 259,953	\$ 42,873	\$ -	\$ 7,458,944

# County of Emmet

## COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS

December 31, 2004

	Taxes						Totals	
	1998	1999	2000	2001	2002	2003	2004	
<b>ASSETS</b>								
Cash and equivalents	\$ 1,122,827	\$ 709,228	\$ 629,562	\$ 571,174	\$ 650,000	\$ 255,024	\$ 16,625	\$ 3,954,440
Property taxes receivable	549	7,768	1,313	15,070	157,305	1,690,259	-	1,872,264
Other receivables	-	3,492	-	-	-	-	-	3,492
Total assets	<u>\$ 1,123,376</u>	<u>\$ 720,488</u>	<u>\$ 630,875</u>	<u>\$ 586,244</u>	<u>\$ 807,305</u>	<u>\$ 1,945,283</u>	<u>\$ 16,625</u>	<u>\$ 5,830,196</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Cash in excess of deposits	\$ 162,000	-	\$ -	-	\$ 8,433	\$ -	-	\$ 170,433
Accounts payable	-	-	3,255	1,222	7,619	-	-	12,096
Due to other governmental units	-	-	-	-	-	-	15,705	15,705
Notes payable	-	-	-	-	-	1,665,000	-	1,665,000
Total liabilities	<u>162,000</u>	<u>-</u>	<u>3,255</u>	<u>1,222</u>	<u>16,052</u>	<u>1,665,000</u>	<u>15,705</u>	<u>1,863,234</u>
<b>NET ASSETS - UNRESTRICTED</b>	<u>961,376</u>	<u>720,488</u>	<u>627,620</u>	<u>585,022</u>	<u>791,253</u>	<u>280,283</u>	<u>920</u>	<u>3,966,962</u>
Total liabilities and net assets	<u>\$ 1,123,376</u>	<u>\$ 720,488</u>	<u>\$ 630,875</u>	<u>\$ 586,244</u>	<u>\$ 807,305</u>	<u>\$ 1,945,283</u>	<u>\$ 16,625</u>	<u>\$ 5,830,196</u>

# County of Emmet

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

For the year ended December 31, 2004

	1997	1998	1999	2000	2001	2002	2003	2004	Totals
	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	
Operating revenues									
Charges for sales and services	\$ 517	\$ 26	\$ 65	\$ 171	\$ 7,656	\$ 81,237	\$ 314,452	\$ 920	\$ 405,044
Operating expenses									
Contractual services	-	-	-	-	-	-	19,744	-	19,744
<b>OPERATING INCOME</b>	517	26	65	171	7,656	81,237	294,708	920	385,300
Nonoperating revenues (expenses)									
Interest revenue	647	9,894	10,996	10,254	73,013	337,082	22,544	-	464,430
Interest expense	-	-	-	-	-	(6,906)	(36,969)	-	(43,875)
Total nonoperating revenues	647	9,894	10,996	10,254	73,013	330,176	(14,425)	-	420,555
<b>INCOME BEFORE OPERATING TRANSFERS</b>	1,164	9,920	11,061	10,425	80,669	411,413	280,283	920	805,855
Operating transfers in (out)	(68,918)	(162,000)	-	-	-	68,918	-	-	(162,000)
<b>CHANGE IN NET ASSETS</b>	(67,754)	(152,080)	11,061	10,425	80,669	480,331	280,283	920	643,855
Net assets, beginning of year	67,754	1,113,456	709,427	617,195	504,353	310,922	-	-	3,323,107
Net assets, end of year	\$ -	\$ 961,376	\$ 720,488	\$ 627,620	\$ 585,022	\$ 791,253	\$ 280,283	\$ 920	\$ 3,966,962

# County of Emmet

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the year ended December 31, 2004

	1997	1998	1999	2000	2001	2002	2003	2004	Totals
	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Cash received from customers	\$ 517	\$ 26	\$ 65	\$ 171	\$ 8,007	\$ 85,047	\$ 314,452	\$ 920	\$ 409,205
Cash payments to employees and suppliers	-	-	(3,492)	-	-	3,809	(19,744)	15,705	(3,722)
Net cash provided (used) by operating activities	517	26	(3,427)	171	8,007	88,856	294,708	16,625	405,483
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>									
Repayment of bond principle	-	-	-	-	-	(1,885,000)	-	-	(1,885,000)
Interest paid on bonds	-	-	-	-	-	(6,906)	(36,969)	-	(43,875)
Tax collection proceeds	623	645	5,586	1,356	173,899	1,990,443	1,665,000	-	3,837,552
Operating transfers from other governmental units	(68,918)	(162,000)	-	-	-	68,918	-	-	(162,000)
Purchase of taxes	-	-	-	-	-	-	(1,690,259)	-	(1,690,259)
Net cash provided (used) by non-capital financing activities	(68,295)	(161,355)	5,586	1,356	173,899	167,455	(62,228)	-	56,418
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Interest received	647	9,894	10,996	10,254	73,013	337,082	22,544	-	464,430
<b>NET INCREASE (DECREASE) IN CASH</b>	(67,131)	(151,435)	13,155	11,781	254,919	593,393	255,024	16,625	926,331
Cash, beginning of year	67,131	1,112,262	696,073	617,781	316,255	48,174	-	-	2,857,676
Cash, end of year	\$ -	\$ 960,827	\$ 709,228	\$ 629,562	\$ 571,174	\$ 641,567	\$ 255,024	\$ 16,625	\$ 3,784,007
<b>COMPONENTS OF CASH</b>									
Cash and cash equivalents	\$ -	\$ 1,122,827	\$ 709,228	\$ 629,562	\$ 571,174	\$ 650,000	\$ 255,024	\$ 16,625	\$ 3,954,440
Checks in excess of deposits	-	(162,000)	-	-	-	(8,433)	-	-	(170,433)
Cash, end of year	\$ -	\$ 960,827	\$ 709,228	\$ 629,562	\$ 571,174	\$ 641,567	\$ 255,024	\$ 16,625	\$ 3,784,007

**County of Emmet**

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS -  
PENSION TRUST FUNDS**

December 31, 2004

<b>ASSETS</b>	<b>Money Purchase Plan</b>	<b>Retirement Plan</b>	<b>Total</b>
Participant directed investments			
Mutual funds	\$ 5,181,995	\$ -	\$ 5,181,995
Non-participant directed investments			
Short term investments	-	124,587	124,587
Equity mutual funds	-	3,336,531	3,336,531
Fixed income mutual funds	-	2,172,924	2,172,924
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b><u>\$ 5,181,995</u></b>	<b><u>\$ 5,634,042</u></b>	<b><u>\$ 10,816,037</u></b>

# County of Emmet

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS

December 31, 2004

	Money Purchase Plan	Retirement Plan	Total
<b>ADDITIONS TO NET ASSETS</b>			
Investment income			
Net appreciation in fair value of investments		\$ 142,240	
Realized gains (losses)		(6,682)	
Interest and dividends on mutual funds		182,316	
Other investment income		<u>35,750</u>	
Total investment earnings	\$ 394,075	353,624	\$ 747,699
Cash contributions			
Employer	719,724	357,491	1,077,215
Rollovers	<u>78,161</u>	<u>-</u>	<u>78,161</u>
Total additions	<u>1,191,960</u>	<u>711,115</u>	<u>1,903,075</u>
<b>DEDUCTIONS FROM NET ASSETS</b>			
Benefit payments	(382,963)	(510,396)	(893,359)
Other expenses	<u>-</u>	<u>(37,505)</u>	<u>(37,505)</u>
Total deductions	<u>(382,963)</u>	<u>(547,901)</u>	<u>(930,864)</u>
<b>NET CHANGE IN NET ASSETS</b>	808,997	163,214	972,211
Net assets available for benefits, beginning of year	<u>4,372,998</u>	<u>5,470,828</u>	<u>9,843,826</u>
Net assets available for benefits, end of year	<u>\$ 5,181,995</u>	<u>\$ 5,634,042</u>	<u>\$ 10,816,037</u>

# County of Emmet

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

December 31, 2004

	Trust and Agency Fund				Library Penal Fund		Inmate Trust Fund		Total
<b>ASSETS</b>									
Cash and deposits	\$ 1,131,701	\$	416	\$	103,404	\$	43,830	\$	1,279,351
Accounts receivable, net	<u>299,158</u>		-		-		<u>74,930</u>		<u>374,088</u>
Total assets	<u>\$ 1,430,859</u>	<u>\$</u>	<u>416</u>	<u>\$</u>	<u>103,404</u>	<u>\$</u>	<u>118,760</u>	<u>\$</u>	<u>1,653,439</u>
<b>LIABILITIES</b>									
Due to other funds	\$ 1,069,431	\$	-	\$	-	\$	-	\$	1,069,431
Due to other governmental units	<u>361,428</u>		-		<u>103,404</u>		-		<u>464,832</u>
Due to inmates	-		-		-		<u>117,767</u>		<u>117,767</u>
Deposits	-		<u>416</u>		-		<u>993</u>		<u>1,409</u>
Total liabilities	<u>\$ 1,430,859</u>	<u>\$</u>	<u>416</u>	<u>\$</u>	<u>103,404</u>	<u>\$</u>	<u>118,760</u>	<u>\$</u>	<u>1,653,439</u>

**PASSENGER FACILITIES CHARGE PROGRAM**





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Marv F. Krantz, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
THE PASSENGER FACILITY CHARGE PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Commissioners  
County of Emmet, Michigan

***Compliance***

We have audited the compliance of *County of Emmet, Michigan* (the "County") with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration ("FAA") for its Passenger Facility Charge Program for the year ended December 31, 2004. Compliance with the requirements of laws and regulations applicable to its Passenger Facility Charge Program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its Passenger Facility Charge Program for the year ended December 31, 2004.

***Internal Control Over Compliance***

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Passenger Facility Charge Program. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charge Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

***Schedule of Expenditures of Passenger Facility Charge Funds***

We have audited the financial statements of the County of Emmet, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated May 6, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of passenger facility charge funds is presented for the purposes of additional analysis as required by the Guide and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the officers, commissioners and management of the County and the Federal Aviation Administration and should not be used by anyone other than these specified parties.

*Dennis, Gartland & Niergarth, P.C.*

May 6, 2005

# Pellston Regional Airport of Emmet County

## SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS

For the year ended December 31, 2004

Application #	Project Description	Approved For Use	Year Ended 12/31/04 Reported Expenditures
99-08-U-00-PLN	Emergency standby generator	\$ 5,000	\$ 5,000
	Handicapped loading device	1,500	1,500
01-09-C-00-PLN	Rehabilitate aircraft parking ramp	25,000	1,480
	Acquire snow blower	30,000	-
	Rehabilitate airport entrance road	1,500	1,500
	Land acquisitions	15,628	-
	Acquire sweeper	10,000	-
	Wildlife study	20,000	9,116
	Terminal building expansion	592,250	-
	Perimeter road environmental assessment	6,631	-
	Aircraft apron expansion	49,173	49,173
	Parking lot renovation	5,533	3,705
	Aircraft deicing equipment	1,061	-
		<u>\$ 763,276</u>	<u>\$ 71,474</u>

The accompanying notes are an integral part of this schedule.

# **Pellston Regional Airport of Emmet County**

## **NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGE FUNDS**

### **NOTE A - SUMMARY OF ACCOUNTING POLICIES**

#### ***General***

The Pellston Regional Airport of Emmet County (the "Airport") is owned and operated by the County of Emmet, Michigan, (the "County") which is a governmental entity operated under an elected seven member Board of Commissioners.

#### ***Defining the Reporting Entity***

The County of Emmet is the primary level of government which has oversight responsibility and control over all activities related to the operations of the Airport. The operations of the Airport are included as one of many departments within the County's General Fund. The County also receives Passenger Facility Charge ("PFC") revenue from surcharges levied by airlines on behalf of the County. These revenues, as well as expenses, are accounted for in the Airport Facility Capital Projects Fund and reported in the Schedule of Expenditures of Passenger Facility Charge Funds as prescribed by the Federal Aviation Administration ("FAA").

#### ***Use of Estimates in the Preparation of the Schedule of Expenditures of Passenger Facility Charge Funds***

The preparation of the Schedule of Expenditures of Passenger Facility Charge Funds, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from these estimates.

#### ***Revenue Recognition***

Passenger Facility Charge revenues are recognized within the period these charges are collected by air carriers on behalf of the County.

### **NOTE B - PASSENGER FACILITIES CHARGE RATE**

The County received approval from the Federal Aviation Administration to impose a \$3 passenger facility charge per enplanement beginning in 1993 for use on approved projects. The most recent approval permits imposition of the fee over a period of approximately ten years effective June 2002.

### **NOTE C - UNEXPENDED FUNDS**

Accumulated unspent Passenger Facility Charge revenue at December 31, 2004 totaling \$259,953 is held in the County's pooled cash account and has allocated its respective share of interest earned.

NOTES TO SCHEDULE OF EXPENDITURES OF  
PASSENGER FACILITY CHARGE FUNDS - Continued

**NOTE D - PENDING APPLICATIONS**

The County's terminal building project continues to be substantially overdrawn as of December 31, 2004. As reported in 2003, the project has incurred \$711,020 in expenditures to date as compared to the approved use level of \$592,250. The County plans to recoup these costs in Application #10 and Application #11. The approval of the Application has been delayed due to the FAA's request for additional information, which has been submitted by the County. The Application is expected to be approved during 2005.

**Pellston Regional Airport of Emmet County**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

***Prior Year***

***Finding Number 03-1***

**Criteria:** 14 CFR Part 158.29 requires that the use of approved Passenger Facility Charge revenues be spent in accordance with the terms of the approved FAA Record of Decisions.

**Condition:** Expenditures for the terminal building expansion project #01-09-C-00-PLN exceed the FAA approved Record of Decision by \$118,770.

**Effect:** Expenditure of Passenger Facility Charge Funds was made without formal approval.

**Cause:** The scope of the expansion project changed, causing the timing of actual expenditures to precede the approval of the change order to the FAA Record of Decision.

**Planned Corrective Action:** The County has modified the application for a change to the original Record of Decision as requested by the FAA. The County expects this application to be approved during 2005.

***Current Year***

No findings.



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## AUDIT-RELATED COMMUNICATION

To the Board of Commissioners  
County of Emmet, Michigan

We have audited the general purpose financial statements of the County of Emmet, Michigan (the "County") for the year ended December 31, 2004 and have issued our report thereon dated May 6, 2005. Professional standards require that we provide you with the following information related to our audit:

### ***Our Responsibility under Generally Accepted Auditing Standards***

As stated in our engagement letter dated February 14, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement applicable to each of its major Federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

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### ***Significant Accounting Policies***

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note A to the financial statements. The new accounting policies adopted during 2004 were as follows:

#### **New and Closed Funds**

Four new funds; the Ambulance, Revenue Sharing, 2003 and 2004 Delinquent Tax Revolving Funds were opened during 2004 and the 1997 Delinquent Tax Revolving Fund was closed.

#### **Revenue Sharing Reserve Fund**

Public Act 357 provides a funding mechanism to serve as a substitute to state revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy. As mandated by the State, the County established the revenue sharing reserve fund to account for the accumulation of the revenue sharing reserve. The sum total of the County's December 2004 property tax levy of \$10.96 million will be placed in the fund evenly in three annual payments of \$3.65 million from part of the County's December 2004 - 2006 property tax levies. During 2004 the County recorded \$3.65 million in property tax revenue and due from General Fund.

We noted no transactions entered into by the County during the year that were both significant and unusual, of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. However, we noted the following transactions entered into by County during the previous year that were both significant and unusual and have continuing relevance.

#### **GASB Statement No. 34**

In 2003 the County implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The County has not presented the Management Discussion and Analysis that the government accounting standards board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Additionally, as permitted by the Michigan Department of Treasury under Statement No. 7 of the Michigan Committee on Governmental Accounting and Auditing, the County has elected to omit the statements of net assets and activities, which are intended to display information about the County as a whole.



### **2003 Building Authority Bonds**

In August 2003, the Emmet County Building Authority (for the benefit of the Emmet County Road Commission) issued general obligation bonds to extinguish outstanding 1995 bonds. Net proceeds were deposited with an escrow agent to provide for the redemption of the outstanding bonds except for bonds totaling \$205,000 which were not part of the refunding and will continue to be funded by the road commission. The audited financial statements of the Emmet County Road Commission as of December 31, 2003, did not include the remaining long-term obligation. Relative to this, the 2004 audited financial statements of the Emmet County Road Commission corrected this error by reporting a prior period adjustment.

In the prior year we recommended that the Building Authority and Road Commission execute a formal lease agreement related to the debt service requirements of the 2003 bonded debt. We noted during the course the audit that a formal lease agreement between the County and the Road Commission requiring annual lease payments corresponding with the debt service requirements was executed during the year. As a result, the County has recorded a capital lease receivable in the 2003 Bonds Debt Service Fund equal to the principle amount due.

### **Medical Care Facility Project**

We previously recommended that, as newly constructed assets of the Medical Care Facility are placed in service, a contribution of capital be reflected on the Medical Care Facility books. We noted during the course of the audit that assets placed in service during 2004 were recorded as an equity transfer into the Medical Care Facility.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Except as described below, none of management's estimates are considered to be particularly sensitive.

### **Defined Benefit Pension Plan**

The Michigan Constitution requires that public pensions be fully funded to the extent of estimated current service costs. This requirement may be subject to interpretation for your closed plan whose participants generally no longer work for the County. As we have recommended in the past, you may wish to consult with your pension advisors and persons familiar with the constitutional requirement to obtain assurances that the County maintains compliance in this area.

### ***Audit Adjustments***

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County, either individually or in the aggregate, indicate matters that could have a significant effect on the County's financial reporting process.

### ***Unrecorded Adjustments***

While auditing cash, we noted one held check that overstated expenditures for the year ended December 31, 2004 by \$10,414. Both we and the County's management have evaluated the valuation and consider any difference to be immaterial.

### ***Recorded Adjustments***

We proposed entries that reassigned current year tax collections recorded in the general fund against delinquent taxes receivables in the 2003-2004 delinquent tax revolving fund.

We proposed entries that reassigned the accounting of the 2004 property tax levy between the general and revenue sharing funds.

We proposed the County establish a long-term receivable in the 2003 bonds debt service fund to account for the annual transfer of debt service payments received by the County Road Commission.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Issues Discussed Prior to Retention of Independent Auditors***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Commissioners and management of County of Emmet and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis, Gartland & Niergarth, P.C.*

May 6, 2005

**County of Emmet, Michigan**

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
AND SINGLE AUDIT REPORTS**

December 31, 2004

C O N T E N T S

Page

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i> .....	2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	6



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
County of Emmet, Michigan

***Compliance***

We have audited the compliance of the County of Emmet, Michigan (the "County") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2004. The County's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2004.

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### ***Internal Control Over Compliance***

The management of the County of Emmet, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### ***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Emmet, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 6, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis, Gartland & Niergarth, P.C.*

May 6, 2005

# County of Emmet

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2004

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>Department of Health and Human Services</b>			
Passed through the Michigan			
Family Independence Agency			
Child Support Enforcement Program-Prosecuting Attorney	93.563	CS/PA-04-24002	\$ 49,268
Child Support Enforcement Program-Prosecuting Attorney	93.563	CS/PA-05-24002	19,215
Child Support Enforcement Program-Friend of the Court	93.563	CS/FOC-04-24001	229,620
Child Support Enforcement Program-Friend of the Court	93.563	CS/FOC-05-24001	98,063
			<u>396,166</u>
<b>Department of Homeland Security</b>			
Passed through the Michigan State Police			
State Domestic Preparedness Equipment Support			
Program Grant	97.004		<u>137,347</u>
<b>Department of Commerce</b>			
Passed through the Coastal Zone Management Administration			
Great Lakes Coastal Recreation Grant for Land Acquisitions	11.419		<u>492,250</u>
<b>Department of Housing and Urban Development</b>			
Passed through the Michigan			
Economic Development Corporation			
Community Development Block Grant			
Link Michigan Planning Grant	14.228		<u>4,994</u>
<b>Department of Justice</b>			
Bullet Proof Vest Program	16.607		5,322
Passed through the Michigan Department of Community Health			
Byrne Formula Grant	16.579		27,823
Byrne Formula Grant	16.579	2041361	224,234
Byrne Formula Grant	16.579	20050977	59,395
			<u>316,774</u>
<b>Department of Transportation</b>			
Passed through the Michigan State Police			
Highway Safety Project			
Challenge Award Grant	20.604	PT-04-37	5,000
Highway Planning and Construction			
Transportation Enhancement Activity Grant	20.205	ENH200200235	828,456
			<u>833,456</u>
Total Federal expenditures			<u>\$ 2,180,987</u>

The attached notes are an integral part of this schedule.



**County of Emmet, Michigan**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

December 31, 2004

**Note 1** The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards reconcile to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.

**Note 3** The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared.

**Note 4** The proceeds of Federal Grants not administered by the County (including Road and Airport Improvement Grants) are not recognized on this schedule.

**Note 5** A reconciliation of grant disbursements on the Schedule of Expenditures of Federal Awards to Federal sources reported on the financial statements are as follows:

Grant disbursements per Schedule of	
Expenditures of Federal Awards	\$2,180,987
Emmet County Road Commission Grants	
not administered by the County	<u>69,109</u>
Federal sources per financial statements	<u>\$2,250,096</u>

**County of Emmet, Michigan**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended December 31, 2003**

**Prior Year**

No findings.

**Current Year**

***Section 1 - Summary of Auditor's Results***

1. The Audit Report on the County of Emmet, Michigan's financial statements expresses a qualified opinion.
2. There were no reportable conditions identified as a result of the audit of the financial statements.
3. There were no compliance findings disclosed that were material to the County's financial statements.
4. There were no reportable conditions identified related to major programs.
5. The report over compliance for major programs was unqualified.
6. There were no audit findings that are required to be reported.
7. The County's major programs are:
  - Child Support Enforcement Programs  
(CFDA #93.563)
  - Great Lakes Coastal Recreation Grant for Land Acquisitions  
(CFDA #11.419)
  - Byrne Formula Grants  
(CFDA #16.579)
  - Highway Planning and Construction Transportation Enhancement Activity Grant  
(CFDA #20.205)
8. The dollar threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The auditee does qualify as low risk.

***Section 2 - Findings in Accordance with Generally Accepted Government Auditing Standards***

No findings.

***Section 3 - Findings and Questioned Costs in Accordance with OMB Circular A-133***

No findings.